

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FARMERS RURAL	)	
ELECTRIC COOPERATIVE CORPORATION, OF	)	
GLASGOW, KENTUCKY, FOR A CERTIFICATE	)	
OF CONVENIENCE AND NECESSITY FOR	)	
CONSTRUCTION OF NEW EXTENSIONS AND	)	
SYSTEM IMPROVEMENTS FOR ITS EXISTING	)	CASE NO. 10430
FACILITIES, AND FOR THE NECESSARY	)	
APPROVAL TO BORROW \$603,093 FROM THE	)	
NATIONAL RURAL UTILITIES COOPERATIVE	)	
FINANCE CORPORATION FOR THE AFORESAID	)	
PURPOSES	)	

O R D E R

Farmers Rural Electric Cooperative Corporation ("Farmers") filed its application on November 1, 1988 for a certificate of public convenience and necessity to construct certain improvements and additions to its existing plant, and for approval to borrow funds and to execute its notes and mortgages to secure such loan. The Commission requested additional information by Order dated November 29, 1988. Its response was filed on December 2, 1988.

In support of its application, Farmers filed its 1988-1989 Work Plan which describes in detail the improvements and additions to plant that are required over the 2 years to serve its load. These improvements and additions are estimated to cost \$1,968,093 and will be financed by a loan of \$1,365,000 from the Rural Electrification Administration ("REA") and a loan of \$603,093 from the National Rural Utilities Cooperative Finance Corporation ("CFC").

The proposed construction will enable Farmers to continue to provide reliable electric service to its customers. Farmers has stated that the proposed construction will not duplicate any existing facilities.

#### FINDINGS AND ORDERS

The Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require the construction by Farmers of the improvements and additions to its existing plant as described in its 1988-1989 Work Plan, and that a certificate should be granted.

2. The proposed borrowing from CFC is for lawful objects within the corporate purposes of Farmers, is necessary and appropriate for and consistent with the proper performance by Farmers of its service to the public, and will not impair its ability to perform that service.

3. Farmers is capable of executing its notes as security for the loan as stated herein.

4. Farmers should utilize the interest rate program which will result in the net lowest cost of money to Farmers over the term of the financing.

5. Farmers should notify the Commission of the interest rate option elected for financing approved herein along with a statement as to the basis for the decision.

6. The proceeds from the proposed borrowing should be used only for the lawful purposes set out in the application and record.

7. Farmers should file, along with its monthly financial report to the Commission, the current interest rate on its outstanding variable rate loans.

8. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency do not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Farmer's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Farmers be, and it hereby is, granted a certificate of public convenience and necessity to proceed with the construction and additions as set forth in its 1988-1989 Work Plan.

2. Farmers be, and it hereby is, authorized to borrow \$603,093 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Farmers at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

3. Farmers be, and it hereby is, authorized to execute its notes as security for the loan herein authorized.

4. Farmers shall comply with all matters set out in Findings 4 through 7 as if it was individually so Ordered.

Nothing herein contained shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 20th day of December, 1988.

PUBLIC SERVICE COMMISSION

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Chairman

*Robert M. Davis*  
\_\_\_\_\_  
Vice Chairman

*Samuel M. Williams, Jr.*  
\_\_\_\_\_  
Commissioner

ATTEST:

\_\_\_\_\_  
Executive Director